

## NEW MedPAC REPORT DEBUNKS REPUBLICAN RHETORIC THAT PRIVATE PLANS SAVE MONEY

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Medicare's long-term financial outlook at stake

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WASHINGTON, D.C. -- A new report by the Medicare Payment Advisory Commission confirms that Medicare HMOs cost more than traditional fee-for-service Medicare, contradicting the Republican rationale for forcing seniors into private plans.

According to the analysis, HMOs are paid, on average, 107 percent of fee-for-service costs. In addition, HMOs tend to get healthier beneficiaries who cost less, a practice also known as risk selection. In some areas of the country, overpayments run in excess of 150 percent of fee-for-service spending. The calculations reflect policy changes made in the Medicare Modernization Act, which require that private plans in all areas be paid at least the fee-for-service rates. In most cases, however, private plans are paid more. In fact, there is not a single county in the nation that is saving money on Medicare HMOs.

"Republicans are rewarding their managed care friends with billions of dollars more than would be paid to providers under traditional Medicare. They are in the process of destroying traditional Medicare by setting up grotesquely unfair competition that coerces seniors into HMOs," said Rep. John D. Dingell (D-MI), Ranking Member of the House Committee on Energy and Commerce.

The actual overpayments may be even higher than indicated by MedPAC. According to data from the Centers for Medicare and Medicaid Services, Medicare+Choice (now called "Medicare Advantage") plans draw healthier enrollees, which means seniors in HMOs cost less than those in fee-for-service plans. This adds approximately eight percent to the already significant formula-driven overpayments.

"Time and again, objective analysis shows that HMOs and private plans cost Medicare more," said Representative Pete Stark

(D-CA), Ranking Member of the Ways and Means Health Subcommittee. "The bottom line is that no private company can offer the same benefits for less than Medicare. HMOs want to be paid more so they can offer better taxpayer-funded benefits than those available under Medicare. It's a bad deal for beneficiaries and taxpayers, but a sweetheart deal for the HMOs and insurance industry."

Representative Sherrod Brown

(D-OH), Ranking Member of the Energy and Commerce Health Subcommittee said, "Democrats believe all seniors should be given a fair choice, treated equally and not forced into HMOs. The Bush Administration is once again favoring industry over people. They're out of touch with what seniors want and need - a strong Medicare program, not costly subsidies to the insurance industry."

According to the 2004 Trustees' Reports, HMO overpayments shorten the life of the overall Medicare program by more than two years and the Medicare Part A Trust Fund by more than a year. Overpayments to HMOs come partly out of the Trust Fund, which pays for hospital care.

"Republicans deliberately pursued and enacted changes in the Medicare prescription drug law that provide billions of dollars in bribes to their friends in the insurance industry," said Stark. "Even worse, this drain on the Treasury shortens the life on the Medicare Trust Fund by several years. This analysis shows that those Republicans who wanted to pay off their campaign contributors and destroy Medicare have made great strides under this law."